# Cbus Tax Transparency Report

For the year ended 30 June 2021



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# Introduction

This is Cbus' third Tax Transparency Report and covers the 2020/2021 (FY 2021) financial year.

The Voluntary Tax Transparency Code (the Code) is a set of principles and minimum standards to guide medium and large business on the public disclosure of tax information.

The Code was developed by the Board of Taxation and endorsed by the Federal Government. This report meets the set of principles and minimum standards guide in respect to large businesses on public disclosures of tax information recommended under the Code.

As a large taxpayer, Cbus understands the importance of acting in a transparent manner and to help educate the public about its compliance with Australian and international tax laws.

Accordingly, Cbus is a voluntary participant in this disclosure regime.

# About Cbus

Cbus is the leading industry super fund for those working in building, construction and other industries that build Australia. We were formed in 1984, when building and construction workers won the right to superannuation.

Our members are the foundation and future of our fund. They trust us to invest wisely, provide insurance for financial protection during their working lives and create financial security for them in retirement. Maximising the retirement savings of our members is at the heart of everything we do, not paying dividends to shareholders.

During FY 2021, Cbus invested over $65 billion on behalf of more than 775,000 members and 170,000 employers.

We invest our members' retirement savings in different types of assets for the long term. We also invest directly in the building and construction industry through our wholly owned subsidiary, Cbus Property*. This adds to the returns of our fund, creates jobs and contributes to the industry in which our members work.




*Cbus Property Pty Ltd is a wholly-owned subsidiary of United Super Pty Ltd and has responsibility for the development and management of Cbus' direct property investments.

# Cbus' approach to Tax Strategy, Risk and Governance

Cbus' approach to Tax Strategy, Risk and Governance aims to support its objective of achieving the best retirement outcomes for its members.

In accordance with Cbus' Tax Risk Governance Framework, Cbus maintains either a conservative or neutral tax risk appetite. The following principles guide Cbus in managing tax risks and making decisions in relation to its tax affairs:

- **Full compliance** – Cbus will ensure it is compliant with all statutory tax obligations and seek to pay the legally correct amount of tax in all jurisdictions in which it operates on time.
- **Optimising tax efficiency** – Cbus will manage its tax affairs in a proactive and structured manner, drive tax efficiencies and identify opportunities to optimise after-tax member outcomes in the course of carrying out Cbus' business activities.
- **Prudent risk taking** – Cbus will not engage in tax avoidance and evasion schemes or aggressive tax positions that have a material risk of an adverse finding in court or an erosion of public trust and the reputation of Cbus. Cbus will maintain documented tax positions and procedures.
- **Transparent, productive and cooperative** – Cbus will seek to maintain a transparent, productive and cooperative relationship with revenue authorities locally and abroad.
- **Continuous improvement** – Cbus will seek to continually improve its tax governance and risk management practices in line with leading industry practice.

# Cbus' engagement with Tax Authorities

Cbus is a participant in the ATO's Top 1,000 Tax Performance Program. During FY 2021, Cbus was also a participant in the ATO's Top 1,000 Next Actions Program.

These ATO compliance programs form part of the ATO's 'Justified Trust' initiative which seeks to obtain greater confidence that Australia's largest taxpayers are paying the right amount of tax.

Cbus continues to engage with the ATO, maintaining a transparent and consultative relationship with tax authorities in all relevant jurisdictions.

# Australia's superannuation tax regime

The income tax rates applied to superannuation funds are different to company and individual tax rates.

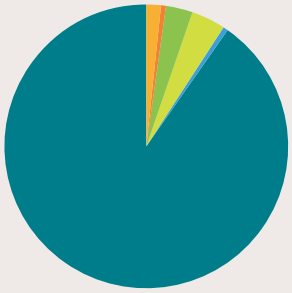
**Super funds like Cbus are required to pay tax on member contributions and earnings as follows:**

| | |
|---|---|
| Pre-tax member and employer contributions up to $25,000, salary under $250,000 | **15%** |
| Pre-tax member and employer contributions up to $25,000, salary over $250,000 *(15% deducted and paid to ATO by Cbus, plus additional 15% directly payable to ATO or deducted from account)* | **30%** |
| After-tax member contributions and account consolidation transfers | **Nil** |
| Accumulation and Transition to Retirement account earnings | **15%** |
| Retirement Income account earnings | **Nil** |
| Contributions tax rate for members who don't provide their TFN by 30 June *(15% deducted and paid to ATO by Cbus, plus additional 32% directly payable to ATO or deducted from account)* | **47%** |

# Taxes Paid in FY 2021

The chart below shows the different types and amounts of taxes paid by Cbus in FY 2021.

### Taxes Paid in FY 2021 ($000)



| | |
|---|---|
| Goods and Services Tax | $12,824 |
| Fringe Benefits Tax | $372 |
| PAYG on employee salaries | $30,508 |
| PAYG on superannuation benefits | $37,845 |
| Payroll Tax | $5,275 |
| Income Tax | $905,590 |

## Reconciliation of accounting profit/income tax expenses

| FY2021 reconciliation of accounting income to income tax expense ($,000) | Income Statement | Change in members' benefits | FY2021 Total | FY2020 |
|---|---|---|---|---|
| **Accounting Income** | **10,364,864** | **5,152,139** | **15,517,003** | **5,616,586** |
| Prima facie income tax expense (at the superannuation tax rate of 15%) | 1,554,730 | 772,821 | 2,327,550 | 842,488 |
| **Adjusted for tax effect of the following items:** | | | | |
| Tax deductible Group Life insurance premiums | -48,092 | – | -48,092 | -42,010 |
| Capital gains tax concession and tax exempt capital gains | -408,554 | – | -408,554 | 67,790 |
| Tax exempt income supporting pension balances | -73,171 | – | -73,171 | -10,431 |
| Franking credits and foreign tax offsets | -143,712 | – | -143,712 | -155,311 |
| Non-taxable member contributions | – | -72,478 | -72,478 | -53,219 |
| Non-taxable transfers in from other superannuation funds | – | -164,371 | -164,371 | -255,759 |
| Other | – | 638 | 638 | 180 |
| Over-provision for tax in the prior year | -8,338 | – | -8,338 | -22,762 |
| **Income Tax Expense / (Benefit)** | **872,863** | **536,610** | **1,409,472** | **370,966** |
| Effective rate of income tax expense (after adjustment for amounts which are not deductible/not taxable) | – | – | 9.08% | 6.6% |

## Reconciliation of income tax and income tax paid

| FY2021 reconciliation of accounting income to income tax expense ($,000) | Income Statement | Change in members' benefits | FY2021 Total | FY2020 |
|---|---|---|---|---|
| **Income Tax Expense / (Benefit)** | **872,863** | **536,610** | **1,409,473** | **370,966** |
| Over-provision for tax in the current year* | 15,610 | – | 15,610 | -8,411 |
| Net unrealised investment losses | -527,831 | – | -527,831 | 34,313 |
| Accrued income and expenses | – | – | 0 | 0 |
| Impact of over-provision for tax in the prior year | 8,338 | – | 8,338 | 22,762 |
| **Income tax paid for FY 2021** | **368,980** | **536,610** | **905,590** | **419,630** |

*Largely relates to trust distribution income where the tax components were provided to the Fund after completion of the financial statements

# Cbus' International Investments

Cbus invests in many different jurisdictions around the world, including developed and emerging markets. Cbus also invests across a wide range of different assets, including listed equities, fixed interest instruments, property, private equity and infrastructure.

As part of our due diligence process, when investing into these different countries, we ensure that we comply with the relevant tax laws in those jurisdictions, paying the appropriate amount of foreign tax under a reasonable reading of the law.

Where tax is paid in those foreign jurisdictions, Cbus is generally allowed an appropriate amount of foreign tax credits in Australia which offsets that foreign tax paid against any Australian tax payable on that same income. This effectively prevents double taxation on income.

Due to commercial reasons, Cbus does have some investments in pooled entities that are in certain low or no tax jurisdictions. These pooled entities aggregate funds from investors all over the world and invests into various sectors and jurisdictions.

Investing into global pooled entities allows for commercial and business efficiencies. For example, it allows Cbus to invest with other foreign institutional investors into quality assets (and projects) that Cbus might not necessarily have the opportunity or capacity to invest in alone. Aggregating funds in this way permits tax to be paid where those investments are located as well as when the income is returned to investors (in Australia for Cbus).

## Foreign taxes paid by country

| Country | $,000,000s (AUD) | Country | $,000,000s (AUD) |
|---|---|---|---|
| United States | 15.03 | Sweden | 0.45 |
| South Korea | 2.47 | Norway | 0.31 |
| China | 2.55 | Brazil | 0.28 |
| Japan | 2.13 | Spain | 0.27 |
| Germany | 1.84 | Indonesia | 0.25 |
| France | 1.70 | Turkey | 0.23 |
| Taiwan | 1.44 | Belgium | 0.23 |
| India | 1.28 | Denmark | 0.22 |
| Canada | 1.01 | Finland | 0.22 |
| Russia | 0.98 | Italy | 0.19 |
| New Zealand | 0.74 | Philippines | 0.12 |
| Netherlands | 0.57 | United Kingdom | 0.11 |
| South Africa | 0.52 | Other | 0.99 |
| | | **Sub-total** | **36.13** |
| Foreign taxes paid through pooled vehicles | | | **8.75** |
| **Total** | | | **44.88** |




# Cbus' trustee

United Super Pty Ltd ABN 46 006 261 623 is trustee for the Construction and Building Unions Superannuation Fund (Cbus) ABN 75 493 363 262. United Super Pty Ltd provides trustee services to Cbus and in doing so incurs operating costs in fulfilling its trustee obligations. United Super Pty Ltd recovers those operating costs through charging a trustee service fee to Cbus.

In FY2021 United Super Pty Ltd's trustee fee income was $1,636,520 and its operating costs were $1,636,504 resulting in a net accounting income for FY2021 of $16. United Super Pty Ltd was not required to make a payment of income tax to the ATO for FY2021.

# Contact Cbus

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This information is about Cbus. You should read the relevant Cbus Product Disclosure Statement to decide if Cbus is right for you. Call 1300 361 784 or visit cbussuper.com.au for a copy.